



Legislative Bulletin.....May 17, 2001

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H.R. 622—Hope for Children Act

H.R. 622—Hope for Children Act (DeMint [Thomas substitute])

Order of Business: H.R. 622 is scheduled to be considered on Thursday, May 17, subject to a closed rule.

Summary: This bill would increase the adoption tax credit from \$5000 per eligible child (\$6000 per special needs child) to \$10,000 per child for all adopted children. The adoption tax credit for special needs children (see definition below in “Additional Background”) is permanent in current law, while the credit for all other adopted children is set to expire at the end of this calendar year. H.R. 622 would make permanent the adoption tax credit for all children. The bill would also extend the income eligibility phase-out range for the tax credit from the current \$75,000-\$115,000 (“modified adjusted gross income”) range to a \$150,000-\$190,000 range. The tax credit could be applied against the alternative minimum tax so that families would not become subject to the AMT as a result of claiming the credit.

This bill would also increase the adoption tax exclusion (from gross income) for adoption expenses paid or reimbursed by an employer from \$5000 per eligible child (\$6000 per special needs child) to \$10,000 per child for all adopted children. Like the tax credit, the tax exclusion for non-special-needs children is set to expire at the end of this year. H.R. 622 would make permanent the adoption tax exclusion for all children. The income eligibility phase-out range would increase exactly as for the tax credit detailed above.

The credit and exclusion could not be applied to the *same* adoption expenses (as in current law), but a taxpaying family could be eligible for both the credit and the exclusion if the employer-paid expenses are *different* from the adoption-related expenses incurred directly by families (and claimed with respect to the credit).

All provisions, a summary of which is outlined below, would become effective in taxable years beginning after December 31, 2001.

<u>Provision</u>	<u>Current Law</u>	<u>H.R. 622</u>
Tax credit (per “eligible child”)	\$5000	\$10,000
Tax credit (per “special needs” child)	\$6000	\$10,000

Tax credit income phase-out range	\$75,000-\$115,000	\$150,000-\$190,000
Tax exclusion (per “eligible child”)	\$5000	\$10,000
Tax exclusion (per “special needs” child)	\$6000	\$10,000
Tax exclusion income phase-out range	\$75,000-\$115,000	\$150,000-\$190,000

Additional Background: An “eligible child” is an individual who is less than 18 years old or who is physically or mentally incapable of caring for himself or herself. A “special needs child” is an eligible child who cannot or should not be returned to the natural parents and has a specific condition or situation requiring special adoption assistance for the adoptive parents.

Cost to Taxpayers : The Joint Committee on Taxation estimates that H.R. 622 would **save** taxpayers \$47 million in FY2002, \$973 million in FY2002 through FY2006, and \$2.6 billion in FY2002 through FY2011.

Does the Bill Create New Federal Programs or Rules?: No.

Constitutional Authority: The Committee cites Article I of the Constitution, Section 8 (‘The Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises . . .’), and the 16th Amendment to the Constitution.

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